

# **RAMONA UNIFIED SCHOOL DISTRICT**

Audit Report

## **STANDARDIZED TESTING AND REPORTING PROGRAM**

Chapter 828, Statutes of 1997

*July 1, 1997, through June 30, 2004*



**JOHN CHIANG**  
California State Controller

March 2012



**JOHN CHIANG**  
**California State Controller**

March 2, 2012

Dan Lopez, President  
School Board  
Ramona Unified School District  
720 Ninth Street  
Ramona, CA 92065

Dear Mr. Lopez:

The State Controller's Office audited the costs claimed by the Ramona Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

The district claimed \$862,833 for the mandated program. Our audit disclosed that \$233,194 is allowable and \$629,639 is unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs. The State paid the district \$154,147. Allowable costs claimed exceed the amount paid by \$79,047.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb

cc: Robert W. Graeff, Superintendent  
Ramona Unified School District  
David Ostermann, Assistant Superintendent, Administrative Services  
Ramona Unified School District  
Tina Tuning, Fiscal Services Manager  
Ramona Unified School District  
Randolph E. Ward, Ed.D., County Superintendent of Schools  
San Diego County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Thomas Todd, Principal Program Budget Analyst  
Education Systems Unit  
Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

# Contents

## **Audit Report**

|  |          |
|--|----------|
| <b>Summary .....</b>                             | <b>1</b> |
| <b>Background .....</b>                          | <b>1</b> |
| <b>Objective, Scope, and Methodology .....</b>   | <b>2</b> |
| <b>Conclusion .....</b>                          | <b>2</b> |
| <b>Views of Responsible Official .....</b>       | <b>3</b> |
| <b>Restricted Use .....</b>                      | <b>3</b> |
| <b>Schedule 1—Summary of Program Costs .....</b> | <b>4</b> |
| <b>Findings and Recommendations .....</b>        | <b>9</b> |

# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Ramona Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004.

The district claimed \$862,833 for the mandated program. Our audit disclosed that \$233,194 is allowable and \$629,639 is unallowable. The costs are unallowable primarily because the district claimed unsupported and ineligible costs. The State paid the district \$154,147. Allowable costs claimed exceed the amount paid by \$79,047.

## Background

Chapter 828, Statutes 1997, amended Education Code Sections 60607, 60609, 60615, and 60630 and added Education Code Sections 60640 through 60641, and 60643. Chapter 828, Statutes 1997, and the implementing regulations at California Code of Regulations, Title 5, sections 850 through 904, established the Standardized Testing and Reporting (STAR) Program related to achievement testing that school districts must administer to pupils in the State.

The STAR program requires school districts, between March 15 and May 15 each year, to test all students in grades 2 through 11 with a nationally normed achievement test as designated by the State Board of Education. School districts administered the Stanford Achievement Test Ninth Edition (SAT/9) test in English to all pupils enrolled in grades 2 through 11 from fiscal year (FY) 1997-98 through FY 2001-02. The California Achievement Test, Sixth Edition Survey (CAT/6) replaced the SAT-9 test effective for FY 2002-03. School districts administered the CAT/6 test in English to all pupils enrolled in grades 2 through 11 for FY 2002-03 and FY 2003-04. In addition, school districts administered an additional test, the Spanish Assessment of Basic Education, Second Edition (SABE/2), to every Spanish-speaking pupil of limited English proficiency who was enrolled in grades 2 through 11, if the pupil was initially enrolled in any public school in the state less than 12 months prior to the date that the English language SAT/9 test was given. School districts are also required to engage in numerous activities related to test administration and reporting.

On August 24, 2000, the Commission on State Mandates (CSM) determined that the legislation imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on January 24, 2002. In compliance with Government Code section 17558, the SCO issues claiming instructions, to assist local agencies and school districts in claiming mandated program reimbursable costs.

**Objective, Scope,  
and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Standardized Testing and Reporting Program for the period of July 1, 1997, through June 30, 2004.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

**Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Ramona Unified School District claimed \$862,833 for costs of the Standardized Testing and Reporting Program. Our audit disclosed that \$233,194 is allowable and \$629,639 is unallowable.

For the fiscal year (FY) 1997-98 claim, the State made no payments to the district. Our audit disclosed that the \$25,918 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$25,918, contingent upon available appropriations.

For the FY 1998-99 claim, the State made no payments to the district. Our audit disclosed that the \$15,677 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$15,677, contingent upon available appropriations.

For the FY 1999-2000 claim, the State paid the district \$33,536 from the funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that the \$35,618 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$2,082, contingent upon available appropriations.

For the FY 2000-01 claim, the State paid the district \$120,611 from the funds appropriated under Chapter 724, Statutes of 2010. Our audit disclosed that the \$36,601 is allowable. The State will apply \$84,010 against any balances of unpaid mandated program claims due to the district as of October 19, 2010.

For the FY 2001-02 claim, the State made no payments to the district. Our audit disclosed that the \$41,103 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$41,103, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payments to the district. Our audit disclosed that the \$41,399 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$41,399, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payments to the district. Our audit disclosed that the \$36,878 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$36,878, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on February 7, 2012. Tina Tuning, Fiscal Services Manager, responded by e-mail dated February 15, 2012, agreeing with the audit results based on the time study performed during the course of the audit.

**Restricted Use**

This report is solely for the information and use of the Ramona Unified School District, the San Diego County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

March 2, 2012

# Schedule 1— Summary of Program Costs July 1, 1997, through June 30, 2004

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>per Audit | Audit<br>Adjustments | Reference <sup>1</sup> |
|--|-------------------------|------------------------|----------------------|------------------------|
| <u>July 1, 1997, through June 30, 1998</u>                   |                         |                        |                      |                        |
| Direct costs:  |                         |                        |                      |                        |
| Salaries and benefits:                                       |                         |                        |                      |                        |
| Training, policies, and procedures                           | \$ 8,200                | \$ 3,868               | \$ (4,332)           | Finding 1              |
| Test materials, supplies, and equipment                      | 153                     | -                      | (153)                | Finding 1              |
| Pre-test and post-test coordination                          | 56,698                  | 45,985                 | (10,713)             | Finding 1              |
| Test administration  | -                       | 4,673                  | 4,673                | Finding 1              |
| Reporting and recordkeeping                                  | 37,033                  | 3,229                  | (33,804)             | Finding 1              |
| Total salaries and benefits                                  | 102,084                 | 57,755                 | (44,329)             |                        |
| Materials and supplies:                                      |                         |                        |                      |                        |
| Reporting and recordkeeping                                  | -                       | 2,374                  | 2,374                | Finding 2              |
| Total direct costs   | 102,084                 | 60,129                 | (41,955)             |                        |
| Indirect costs   | 4,869                   | 2,868                  | (2,001)              | Finding 3              |
| Total direct and indirect costs                              | 106,953                 | 62,997                 | (43,956)             |                        |
| Less offsetting reimbursements                               | -                       | (37,079)               | (37,079)             | Finding 4              |
| Total program cost   | <u>\$ 106,953</u>       | <u>25,918</u>          | <u>\$ (81,035)</u>   |                        |
| Less amount paid by the State                                |                         | -                      |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 25,918</u>       |                      |                        |
| <u>July 1, 1998, through June 30, 1999</u>                   |                         |                        |                      |                        |
| Direct costs:  |                         |                        |                      |                        |
| Salaries and benefits:                                       |                         |                        |                      |                        |
| Training, policies, and procedures                           | \$ 8,394                | \$ 1,158               | \$ (7,236)           | Finding 1              |
| Test materials, supplies, and equipment                      | 157                     | -                      | (157)                | Finding 1              |
| Pre-test and post-test coordination                          | 59,507                  | 34,376                 | (25,131)             | Finding 1              |
| Test administration  | -                       | 3,364                  | 3,364                | Finding 1              |
| Reporting and recordkeeping                                  | 38,907                  | 3,054                  | (35,853)             | Finding 1              |
| Total salaries and benefits                                  | 106,965                 | 41,952                 | (65,013)             |                        |
| Materials and supplies:                                      |                         |                        |                      |                        |
| Reporting and recordkeeping                                  | -                       | 1,640                  | 1,640                | Finding 2              |
| Total direct costs   | 106,965                 | 43,592                 | (63,373)             |                        |
| Indirect costs   | 5,103                   | 2,114                  | (2,989)              | Finding 3              |
| Total direct and indirect costs                              | 112,068                 | 45,706                 | (66,362)             |                        |
| Less offsetting reimbursements                               | -                       | (30,029)               | (30,029)             | Finding 4              |
| Total program cost   | <u>\$ 112,068</u>       | <u>15,677</u>          | <u>\$ (96,391)</u>   |                        |
| Less amount paid by the State                                |                         | -                      |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 15,677</u>       |                      |                        |



**Schedule 1 (continued)**

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>per Audit | Audit<br>Adjustments | Reference <sup>1</sup> |
|--|-------------------------|------------------------|----------------------|------------------------|
| <u>July 1, 1999, through June 30, 2000</u>                   |                         |                        |                      |                        |
| Direct costs:  |                         |                        |                      |                        |
| Salaries and benefits:                                       |                         |                        |                      |                        |
| Training, policies, and procedures                           | \$ 8,394                | \$ 1,591               | \$ (6,803)           | Finding 1              |
| Test materials, supplies, and equipment                      | 157                     | -                      | (157)                | Finding 1              |
| Pre-test and post-test coordination                          | 59,507                  | 33,653                 | (25,854)             | Finding 1              |
| Test administration  | -                       | 3,513                  | 3,513                | Finding 1              |
| Reporting and recordkeeping                                  | 38,907                  | 2,726                  | (36,181)             | Finding 1              |
| Total salaries and benefits                                  | 106,965                 | 41,483                 | (65,482)             |                        |
| Materials and supplies:                                      |                         |                        |                      |                        |
| Reporting and recordkeeping                                  | 1,779                   | 1,620                  | (159)                | Finding 2              |
| Total direct costs   | 108,744                 | 43,103                 | (65,641)             |                        |
| Indirect costs   | 5,187                   | 1,819                  | (3,368)              | Finding 3              |
| Total direct and indirect costs                              | 113,931                 | 44,922                 | (69,009)             |                        |
| Less offsetting reimbursements                               | -                       | (9,304)                | (9,304)              | Finding 4              |
| Total program cost   | <u>\$ 113,931</u>       | <u>35,618</u>          | <u>\$ (78,313)</u>   |                        |
| Less amount paid by the State <sup>2</sup>                   |                         | (33,536)               |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 2,082</u>        |                      |                        |
| <u>July 1, 2000, through June 30, 2001</u>                   |                         |                        |                      |                        |
| Direct costs:  |                         |                        |                      |                        |
| Salaries and benefits:                                       |                         |                        |                      |                        |
| Training, policies, and procedures                           | \$ 9,398                | \$ 1,040               | \$ (8,358)           | Finding 1              |
| Test materials, supplies, and equipment                      | 165                     | -                      | (165)                | Finding 1              |
| Pre-test and post-test coordination                          | 63,877                  | 34,377                 | (29,500)             | Finding 1              |
| Test administration  | -                       | 3,406                  | 3,406                | Finding 1              |
| Reporting and recordkeeping                                  | 41,801                  | 2,852                  | (38,949)             | Finding 1              |
| Total salaries and benefits                                  | 115,241                 | 41,675                 | (73,566)             |                        |
| Materials and supplies:                                      |                         |                        |                      |                        |
| Reporting and recordkeeping                                  | -                       | 1,546                  | 1,546                | Finding 2              |
| Total direct costs   | 115,241                 | 43,221                 | (72,020)             |                        |
| Indirect costs   | 5,370                   | 2,014                  | (3,356)              | Finding 3              |
| Total direct and indirect costs                              | 120,611                 | 45,235                 | (75,376)             |                        |
| Less offsetting reimbursements                               | -                       | (8,634)                | (8,634)              | Finding 4              |
| Total program cost   | <u>\$ 120,611</u>       | <u>36,601</u>          | <u>\$ (84,010)</u>   |                        |
| Less amount paid by the State <sup>2</sup>                   |                         | (120,611)              |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ (84,010)</u>     |                      |                        |

**Schedule 1 (continued)**

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>per Audit | Audit<br>Adjustments | Reference <sup>1</sup> |
|--|-------------------------|------------------------|----------------------|------------------------|
| <u>July 1, 2001, through June 30, 2002</u>                   |                         |                        |                      |                        |
| Direct costs:  |                         |                        |                      |                        |
| Salaries and benefits:                                       |                         |                        |                      |                        |
| Training, policies, and procedures                           | \$ 34,979               | \$ 1,076               | \$ (33,903)          | Finding 1              |
| Test materials, supplies, and equipment                      | 165                     | -                      | (165)                | Finding 1              |
| Pre-test and post-test coordination                          | 73,347                  | 37,338                 | (36,009)             | Finding 1              |
| Test administration  | -                       | 3,667                  | 3,667                | Finding 1              |
| Reporting and recordkeeping                                  | 47,726                  | 3,077                  | (44,649)             | Finding 1              |
| Total salaries and benefits                                  | 156,217                 | 45,158                 | (111,059)            |                        |
| Materials and supplies:                                      |                         |                        |                      |                        |
| Reporting and recordkeeping                                  | -                       | 1,730                  | 1,730                | Finding 2              |
| Total direct costs   | 156,217                 | 46,888                 | (109,329)            |                        |
| Indirect costs   | 11,076                  | 3,324                  | (7,752)              | Finding 3              |
| Total direct and indirect costs                              | 167,293                 | 50,212                 | (117,081)            |                        |
| Less offsetting reimbursements                               | -                       | (9,109)                | (9,109)              | Finding 4              |
| Total program cost   | \$ 167,293              | 41,103                 | \$ (126,190)         |                        |
| Less amount paid by the State                                |                         | -                      |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | \$ 41,103              |                      |                        |
| <u>July 1, 2002, through June 30, 2003</u>                   |                         |                        |                      |                        |
| Direct costs:  |                         |                        |                      |                        |
| Salaries and benefits:                                       |                         |                        |                      |                        |
| Training, policies, and procedures                           | \$ 53,260               | \$ 1,379               | \$ (51,881)          | Finding 1              |
| Test materials, supplies, and equipment                      | 4,947                   | -                      | (4,947)              | Finding 1              |
| Pre-test and post-test coordination                          | 59,161                  | 36,615                 | (22,546)             | Finding 1              |
| Test administration  | 16,792                  | 3,658                  | (13,134)             | Finding 1              |
| Reporting and recordkeeping                                  | 20,998                  | 2,946                  | (18,052)             | Finding 1              |
| Total salaries and benefits                                  | 155,158                 | 44,598                 | (110,560)            |                        |
| Materials and supplies:                                      |                         |                        |                      |                        |
| Test materials, supplies, and equipment                      | 3,845                   | 1,208                  | (2,637)              | Finding 2              |
| Reporting and recordkeeping                                  | -                       | 1,682                  | 1,682                | Finding 2              |
| Total materials and supplies                                 | 3,845                   | 2,890                  | (955)                |                        |
| Total direct costs   | 159,003                 | 47,488                 | (111,515)            |                        |
| Indirect costs   | 7,410                   | 2,845                  | (4,565)              | Finding 3              |
| Total direct and indirect costs                              | 166,413                 | 50,333                 | (116,080)            |                        |
| Less offsetting reimbursements                               | -                       | (8,934)                | (8,934)              | Finding 4              |
| Total program cost   | \$ 166,413              | 41,399                 | \$ (125,014)         |                        |
| Less amount paid by the State                                |                         | -                      |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | \$ 41,399              |                      |                        |

**Schedule 1 (continued)**

| Cost Elements  | Actual Costs<br>Claimed | Allowable<br>per Audit | Audit<br>Adjustments | Reference <sup>1</sup> |
|--|-------------------------|------------------------|----------------------|------------------------|
| <u>July 1, 2003, through June 30, 2004</u>                   |                         |                        |                      |                        |
| Direct costs:  |                         |                        |                      |                        |
| Salaries and benefits:                                       |                         |                        |                      |                        |
| Training, policies, and procedures                           | \$ 10,005               | \$ 1,243               | \$ (8,762)           | Finding 1              |
| Test materials, supplies, and equipment                      | 131                     | -                      | (131)                | Finding 1              |
| Pre-test and post-test coordination                          | 31,576                  | 34,432                 | 2,856                | Finding 1              |
| Test administration  | 16,256                  | 3,600                  | (12,656)             | Finding 1              |
| Reporting and recordkeeping                                  | 13,502                  | 2,667                  | (10,835)             | Finding 1              |
| Total salaries and benefits                                  | 71,470                  | 41,942                 | (29,528)             |                        |
| Materials and supplies:                                      |                         |                        |                      |                        |
| Test materials, supplies, and equipment                      | 729                     | 95                     | (634)                |                        |
| Reporting and recordkeeping                                  | -                       | 1,635                  | 1,635                | Finding 2              |
| Total materials and supplies                                 | 729                     | 1,730                  | 1,001                |                        |
| Total direct costs   | 72,199                  | 43,672                 | (28,527)             |                        |
| Indirect costs   | 3,365                   | 2,035                  | (1,330)              | Finding 3              |
| Total direct and indirect costs                              | 75,564                  | 45,707                 | (29,857)             |                        |
| Less offsetting reimbursements                               | -                       | (8,829)                | (8,829)              | Finding 4              |
| Total program cost   | \$ 75,564               | 36,878                 | \$ (38,686)          |                        |
| Less amount paid by the State                                |                         | -                      |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid |                         | \$ 36,878              |                      |                        |
| <u>Summary: July 1, 1997, through June 30, 2004</u>          |                         |                        |                      |                        |
| Direct costs:  |                         |                        |                      |                        |
| Salaries and benefits:                                       |                         |                        |                      |                        |
| Training, policies, and procedures                           | \$ 132,630              | \$ 11,355              | \$ (121,275)         |                        |
| Test materials, supplies, and equipment                      | 5,875                   | -                      | (5,875)              |                        |
| Pre-test and post-test coordination                          | 403,673                 | 256,776                | (146,897)            |                        |
| Test administration  | 33,048                  | 25,881                 | (7,167)              |                        |
| Reporting and recordkeeping                                  | 238,874                 | 20,551                 | (218,323)            |                        |
| Total salaries and benefits                                  | 814,100                 | 314,563                | (499,537)            |                        |
| Materials and supplies:                                      |                         |                        |                      |                        |
| Test materials, supplies, and equipment                      | 4,574                   | 1,303                  | (3,271)              |                        |
| Reporting and recordkeeping                                  | 1,779                   | 12,227                 | 10,448               |                        |
| Total materials and supplies                                 | 6,353                   | 13,530                 | 7,177                |                        |

## Schedule 1 (continued)

| Cost Elements   | Actual Costs<br>Claimed | Allowable<br>per Audit | Audit<br>Adjustments | Reference <sup>1</sup> |
|---|-------------------------|------------------------|----------------------|------------------------|
| <u>Summary: July 1, 1997, through June 30, 2004</u> (continued) |                         |                        |                      |                        |
| Total direct costs  | 820,453                 | 328,093                | (492,360)            |                        |
| Indirect costs  | 42,380                  | 17,019                 | (25,361)             |                        |
| Total direct and indirect costs                                 | 862,833                 | 345,112                | (517,721)            |                        |
| Less offsetting reimbursements                                  | -                       | (111,918)              | (111,918)            |                        |
| Total program cost  | <u>\$ 862,833</u>       | 233,194                | <u>\$ (629,639)</u>  |                        |
| Less amount paid by the State                                   |                         | (154,147)              |                      |                        |
| Allowable costs claimed in excess of (less than) amount paid    |                         | <u>\$ 79,047</u>       |                      |                        |

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill 1610).

# Findings and Recommendations

## FINDING 1— Unallowable salaries and benefits

The district claimed \$814,100 in salaries and benefits costs for the audit period. We determined that \$314,563 is allowable and \$499,537 is unallowable. The costs are unallowable because the district claimed unsupported and ineligible costs.

The following table summarizes the unallowable salaries and benefits costs by fiscal year and reimbursable activities:

| Cost Categories                         | Fiscal Year |             |             |             |             |             |             | Total       |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | 1997-98     | 1998-99     | 1999-2000   | 2000-01     | 2001-02     | 2002-03     | 2003-04     |             |
| Salaries and benefits:                  |             |             |             |             |             |             |             |             |
| Training policies and procedures        | \$ (4,332)  | \$ (7,236)  | \$ (6,803)  | \$ (8,358)  | \$(33,903)  | \$(51,881)  | \$ (8,762)  | \$(121,275) |
| Test materials, supplies, and equipment | (153)       | (157)       | (157)       | (165)       | (165)       | (4,947)     | (131)       | (5,875)     |
| Pre-test and post-test coordination     | (10,713)    | (25,131)    | (25,854)    | (29,500)    | (36,009)    | (22,546)    | 2,856       | (146,897)   |
| Test administration                     | 4,673       | 3,364       | 3,513       | 3,406       | 3,667       | (13,134)    | (12,656)    | (7,167)     |
| Reporting and recordkeeping             | (33,804)    | (35,853)    | (36,181)    | (38,949)    | (44,649)    | (18,052)    | (10,835)    | (218,323)   |
| Audit adjustment                        | \$ (44,329) | \$ (65,013) | \$ (65,482) | \$ (73,566) | \$(111,059) | \$(110,560) | \$ (29,528) | \$(499,537) |

## Unsupported Costs

Initially, all claimed salaries and benefits were unallowable because they were not supported. However, we worked with district representatives to develop time standards for determining allowable costs for FY 1997-98 through FY 2003-04. The time standards were developed based on the district's time study, our site visits, time surveys, and observations of activities. The district conducted a time study during the Spring 2010 testing period. The results were applied to the audit period.

## Time Study Methodology

We randomly selected a sample of four out of eight schools in the district: two elementary schools, one middle school, and one high school. The sampled school sites represented 50% of the school population. We interviewed school site representatives and the district coordinator to gain an understanding of the testing process. We also performed time surveys and observations of activities during our site visits.

The district also developed a time tracking form for the time study performed at the sampled school sites. The forms recorded hours attributed to reimbursable activities for the duration of the Spring 2010 testing period. We analyzed the time study results and determined allowable hours for the audit period. The allowable hours were based on the time increments reported in the time study and the number of students tested in each fiscal year.

We determined allowable hours for various reimbursable activities as follows:

- Training hours were determined based on our time surveys and interviews at school sites and the district office;
- Reporting and recordkeeping hours were determined based on our observation of this activity at various school sites in our sample and at the district office; and
- Hours for pre-test and post-test coordination and test administration were determined based on the time study performed by the district.

### **Reimbursable Percentage**

To calculate allowable costs, we multiplied the allowable hours by the allowable productive hourly rates for various district personnel involved in each reimbursable activity. We further calculated what portion of the salaries and benefits were attributed to the STAR tests that are reimbursable under the mandate.

The district's STAR costs included the following tests: California Standards Tests (CST); California Alternate Performance Assessment (CAPA); California Modified Assessment (CMA); Stanford Achievement Test, Ninth Edition (SAT/9); California Achievement Test, Sixth Edition Survey (CAT/6 Survey); and Spanish Assessment of Basic Education, Second Edition (SABE/2). The CST, CAPA, and CMA tests are not reimbursable because they were not pled in the test claim that created this mandate. The district accounted for the costs of the STAR tests collectively, without separately indentifying costs by individual test. Consequently, the district claimed costs not reimbursable under the mandate.

To segregate reimbursable costs, we determined the percentages of the tests that related to the mandate based on the number of tests published on the California Department of Education (CDE) STAR website. The reimbursable percentages represented the ratio of mandated tests divided by all STAR tests administered in the district. We applied the reimbursable percentages to allowable costs. The reimbursable percentages for mandated costs were as follows: 100% for FY 1997-98, 69.6% for FY 1998-99, 69.3% for FY 1999-2000, 62.7% for FY 2000-01, 64.5% for FY 2001-02, 62.7% for FY 2002-03, and 61.0% for FY 2003-04.

The program's parameters and guidelines (section V.A.1) state:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The parameters and guidelines (section VI.A.) state that all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities.

### Recommendation

We recommend that the district ensure that all claimed costs are for activities reimbursable under the program's parameters and guidelines and that costs are properly supported with source documents.

### District's Response

The district agreed with the audit finding.

## **FINDING 2— Understated materials and supplies**

The district claimed \$6,353 in materials and supplies costs for the audit period. Our audit determined that claimed costs were understated by net amount of \$7,177 for the audit period (overstated by \$3,430 and understated by \$10,607).

The following table summarizes the misstated materials and supplies costs by fiscal year and reimbursable activities:

| Cost Categories   | Fiscal Year |          |           |          |          |            |          | Total     |
|---|-------------|----------|-----------|----------|----------|------------|----------|-----------|
|   | 1997-98     | 1998-99  | 1999-2000 | 2000-01  | 2001-02  | 2002-03    | 2003-04  |           |
| Materials and supplies:<br>Test materials, supplies,<br>and equipment | \$ -        | \$ -     | \$ -      | \$ -     | \$ -     | \$ (2,637) | \$ (634) | \$(3,271) |
| Reporting and<br>recordkeeping  | 2,374       | 1,640    | (159)     | 1,546    | 1,730    | 1,682      | 1,635    | 10,448    |
| Audit adjustment  | \$ 2,374    | \$ 1,640 | \$ (159)  | \$ 1,546 | \$ 1,730 | \$ (955)   | \$ 1,001 | \$ 7,177  |

For the Test Materials, Supplies, and Equipment component, the district claimed unallowable costs totaling \$3,271 for FY 2002-03 and FY 2003-04. The overstated costs related to unallowable practice test costs totaling \$2,637 in FY 2002-03 and unsupported costs totaling \$634 in FY 2003-04.

For the Reporting and Recordkeeping component, the district understated costs by net amount of \$10,448. The district did not claim reporting and recordkeeping costs for FY 1997-98, FY 1998-99, or FY 2000-01 through FY 2003-04, and overclaimed costs for FY 1999-2000. We calculated materials and supplies expenses related to mailing student test results to parents. We calculated postage, copying, and envelope costs for the total number of students tested in the district in each fiscal year. We then determined allowable costs by dividing the number of mandated STAR tests by all STAR tests administered, and then multiplying the result by the total supported STAR costs (as identified in Finding 1).

The parameters and guidelines (sections IV.E.) state:

The cost of materials and supplies used for reports (including, paper and envelopes), the cost of postage for mailing reports to parents, and the cost of computer programming used for reporting purposes is reimbursable under this activity.

The parameters and guidelines (sections V.A.2.) require the district to report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities.

The parameters and guidelines (sections VI.A) state that all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities.

#### Recommendation

We recommend that the district ensure that all claimed costs are for activities reimbursable under the program's parameters and guidelines and that costs are properly supported with source documents.

#### District's Response

The district agreed with the audit finding.

### **FINDING 3— Overstated indirect costs**

The district claimed \$42,380 in indirect costs for the audit period. Our audit determined that \$17,019 is allowable and \$25,361 is unallowable. The costs are unallowable because of the direct cost adjustments identified in Findings 1 and 2. The district also misstated indirect costs by a net amount of \$377 (understated by \$615 for FY 1998-99 and FY 2002-03 and overstated by \$238 for FY 1999-2000). The misstated costs occurred because the district erroneously claimed incorrect indirect cost rates for FY 1998-99, FY 1999-2000, and FY 2002-03. The district claimed FY 1997-98 indirect cost rate for FY 1998-99 and FY 1999-2000. It also claimed FY 2000-01 indirect cost rate for FY 2002-03.

The following tables summarize the indirect cost rate variances and indirect cost calculations by fiscal year:

|                              | Fiscal Year |           |         |
|------------------------------|-------------|-----------|---------|
|                              | 1998-99     | 1999-2000 | 2002-03 |
| Indirect cost rates:         |             |           |         |
| Allowable indirect cost rate | 4.85%       | 4.22%     | 5.99%   |
| Claimed indirect cost rate   | 4.77%       | 4.77%     | 4.66%   |
| Indirect rate adjustments    | 0.08%       | (0.55)%   | 1.33%   |

|                             | Fiscal Year |            |            |            |            |            |            | Total       |
|-----------------------------|-------------|------------|------------|------------|------------|------------|------------|-------------|
|                             | 1997-98     | 1998-99    | 1999-2000  | 2000-01    | 2001-02    | 2002-03    | 2003-04    |             |
| Indirect costs:             |             |            |            |            |            |            |            |             |
| Allowable direct costs      | \$ 60,129   | \$ 43,592  | \$ 43,103  | \$ 43,221  | \$ 46,888  | \$ 47,488  | \$ 43,672  | \$328,093   |
| Allowable indirect rate     | 4.77%       | 4.85%      | 4.22%      | 4.66%      | 7.09%      | 5.99%      | 4.66%      |             |
| Allowable indirect costs    | \$ 2,868    | \$ 2,114   | \$ 1,819   | \$ 2,014   | \$ 3,324   | \$ 2,845   | \$ 2,035   | 17,019      |
| Less claimed indirect costs | 4,869       | 5,103      | 5,187      | 5,370      | 11,076     | 7,410      | 3,365      | 42,380      |
| Audit adjustment            | \$ (2,001)  | \$ (2,989) | \$ (3,368) | \$ (3,356) | \$ (7,752) | \$ (4,565) | \$ (1,330) | \$ (25,361) |

The parameters and guidelines (section V.B.) state that school districts must use the indirect cost rate approved by the California Department of Education.



Recommendation

We recommend that the district ensure that the indirect rates it claims agree with CDE-approved rates and that indirect costs are mandate-related and appropriately supported.

District's Response

The district agreed with the audit finding.

**FINDING 4—  
Understated offsetting  
reimbursements**

The district understated the mandate portion of STAR apportionments by \$111,918 for the audit period.

The district did not report the mandate-related portion of annual STAR apportionments it received from the CDE. We calculated the understated reimbursement by:

- Verifying the amounts of annual STAR apportionments received by the district, and
- Applying the reimbursable ratio of mandated STAR tests to the number of all STAR tests administered (as identified in Finding 1).

The following table summarizes the understated offsetting reimbursements by fiscal year:

|                            | Fiscal Year       |                   |                  |                  |                  |                  |                  | Total              |
|----------------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
|                            | 1997-98           | 1998-99           | 1999-2000        | 2000-01          | 2001-02          | 2002-03          | 2003-04          |                    |
| Offsetting reimbursements: |                   |                   |                  |                  |                  |                  |                  |                    |
| CDE apportionments         | \$ 37,079         | \$ 43,145         | \$ 13,426        | \$ 13,771        | \$ 14,122        | \$ 14,249        | \$ 14,474        | \$ 150,266         |
| Mandate-related percentage | (100)%            | (69.6)%           | (69.3)%          | (62.7)%          | (64.5)%          | (62.7)%          | (61.0)%          |                    |
| Allowable apportionments   | (37,079)          | (30,029)          | (9,304)          | (8,634)          | (9,109)          | (8,934)          | (8,829)          | \$(111,918)        |
| Claimed apportionments     | -                 | -                 | -                | -                | -                | -                | -                | -                  |
| Audit adjustment           | <u>\$(37,079)</u> | <u>\$(30,029)</u> | <u>\$(9,304)</u> | <u>\$(8,634)</u> | <u>\$(9,109)</u> | <u>\$(8,934)</u> | <u>\$(8,829)</u> | <u>\$(111,918)</u> |

The parameters and guidelines (section VII) state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, including but not limited to, service fees collected, federal funds, and other state funds, shall be identified and deducted from the claim.

Recommendation

We recommend that the district ensure that all applicable reimbursements are offset on its claims against its mandated program costs.

District's Response

The district agreed with the audit finding.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**